Batteries TRENDS

Batteries big draw as impulse buys, multipacks lead charge

Batteries are leading the charge as traffic draws and generators of impulse sales—especially with many chains advertising multipacks to draw heavy battery users, who account for more than 70 percent of all household battery volume.

Chains feel it is important to create an image as a source for batteries, as the category continues to post about 5 percent annual unit growth, which is projected to continue.

Besides adding multipacks, chains increasingly are following discount stores' lead and merchandising batteries throughout the store, wherever impulse purchases can be captured. Batteries are the most profitable item at the checkout, topping candy, gum and cigarettes, according to the latest *Drug Store News*' Checkstand Merchandising Study.

Underscoring the importance of space-efficiency, impulse and cross merchandising, Eveready this year launched its shrink-wrapped multipacks with bold graphics, which occupy one-third the space of blister packs, fit neatly at the checkout and attract customers. They'll be launched in mid-June.

Yet chain's strategies differ significantly.

Leroy Pharmacies, the 11-store Manhattan chain, for example, has found that C and D batteries are strong sellers, although the AA size is the top SKU, as it is industrywide. Leroy stores in Greenwich Village and on the Upper East Side typically advertise 2- and 4-pack C and D sizes "at least once a month" at "close to loss-leader prices," said Jerry Gmuer, merchandiser. Leroy offers a 2-pack at $1.79 with a $1 rebate and a 4-pack at $2.99 with a $1 rebate, Gmuer said.

Gmuer stopped Eveready and Duracell floorstands within sight of the front registers because of shrink problems.

Genovese Drug Stores takes a more typical promotional approach by running regular group promotions of its Eveready and Duracell batteries that include all sizes, with emphasis on 8-pack AA and 4-pack Cs and Ds. The category, paced by multipack sales, continues to produce 10 percent annual growth, said buyer Lenny Genovese.

Regarding Eveready's shrink wrapping, Genovese said, "I don't have the space on the counters. They may make a great fourth-quarter item."

Duracell is breaking new ground in responding to consumers' concerns about battery life. This year it's launching liquid-crystal-display battery testers that will be included as free premiums in the blister card with the battery on top-selling SKUs.

Buyers said the jury is out. One buyer speculated the tester could "keep consumers out of the market" by allowing them to keep batteries longer.

Eveready, meanwhile, will be the first vendor to tap into consumers' concerns about the environment. Its top-moving sku's will bear an on-pack notice: "New: First Low Mercury Battery in U.S."

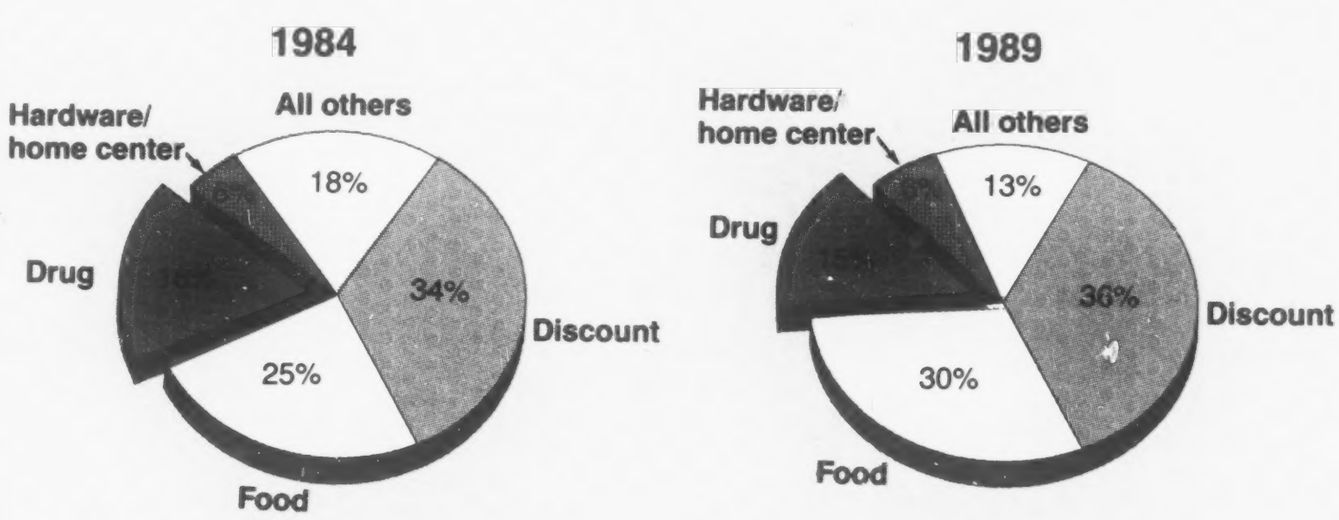
The mercury issue, a source at Eveready concedes, is "more of a perception of being a problem than it is a problem."

Rayovac has gained drug chain turf with its SmartPack and checkout merchandising system, and claims about seven percent of the drug market. Peoples, Big B, and F&M are among chains that have joined Eckerd in picking up the SmartPack for the checkout.

Meanwhile, Panasonic has gained some ground. Duane Reade in New York carries Panasonic, and Hook was among chains promoting its household batteries this year.

Battery sales by outlet

(Percentage share)



Source: NFO Consumer Purchase Diary

Battery sales growth forecast thru '92*

(Millions of retail dollars)

1992	$3,318**
1991	3,121**
1990	2,931**
1989	2,769
1988	2,574
1987	2,411
1986	2,166

*Six consumer sizes
**Estimated

Source: A.C. Nielsen and NFO Consumer Purchase Diary

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Rechargeables predicted as batteries of the future

Rechargeable batteries are awaiting their day in the sun.

"[Rechargeables] are batteries of the future. Consumers are just getting their feet wet," said Dan Halaburda, marketing manager, Panasonic.

Price and consumer understanding of the product have been barriers. Yet growing battery use promises to make rechargeable systems — and the nickel-cadmium batteries they employ — the method of choice for certain types of battery users, some contend.

Heavy battery users, who can dispose of 96 batteries a year compared with the average users' 35, have been most prone to use rechargeables, according to Rayovac estimates.

Rechargeable sales have been growing more than 20 percent a year as vendors "fill in the pipeline" and secure sales with new accounts.

But since the rechargeable battery loses its life very quickly — it loses about 1 percent of its charge a day —it's suitable for only certain types of heavy-use functions, such as in radios, toys or office dictaphones.

The advantage, of course, is having the chance to buy one battery rather than dozens, a potentially economical practice, which also holds appeal for consumers concerned about battery waste disposal.

Thrift, Peoples and Rite Aid are among chains that have picked Panasonic rechargeables.

Faster recharging

The latest twist was the launch in 1988 by General Electric and Eveready of chargers that work in one hour, compared with the typical seven to sixteen hours required.

GE's Fast Charger retails for about $30, for use only with AA batteries, charged two at a time.

Eveready has launched two models of its Generator, a $39.99 version for four AA batteries and a $49.99 version for four AAs, Cs or Ds.

"We have the capability to take the charging time to as low as 15 minutes," said Halaburda of Panasonic, whose system requires six hours.

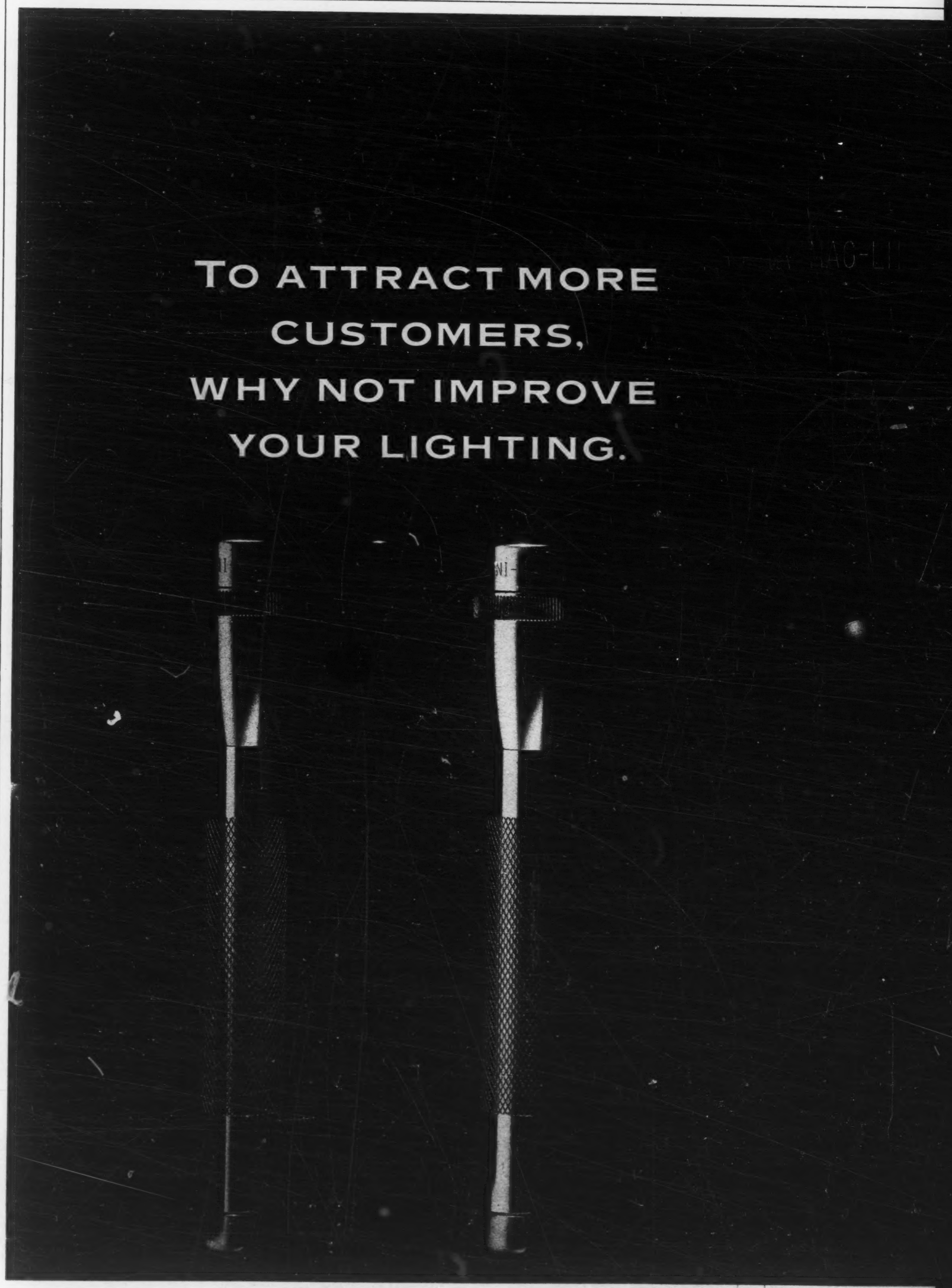
Why not do it? Panasonic found in a survey that consumers would rather pay less and wait longer. Panasonic's under-$15 price point was acceptable; over $20 was not, said Halaburda.

Chain buyers are concerned about the price of charging systems and batteries and are waiting for vendors to do more to enlighten consumers.

Heavy battery users drive category

- The heavy-user household consumes **71%** of all batteries sold.
- It consumes **96** batteries a year, compared with the average household's **35** batteries.
- Of U.S. households, **20%** are heavy users.
- The typical heavy-user home is a married couple with children 6 to 12 years old and young adults 13 to 20 years old.

Source: Rayovac



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FINANCIAL

Safeway trading again on NYSE

Continued from page 3

Safeway's parent company, Kohlberg Kravis Roberts & Co., reportedly thought it could fetch for the stock last year.

Safeway went private in a $4.3 billion leveraged buyout in 1986 financed by junk bonds and other borrowings and arranged by KKR, which also put up most of the $175 million that accounted for the equity portion of the buyout. The buyout—which was the largest LBO in history up to that time—turned Safeway into a highly leveraged company with a massive, $5.6 billion debt load and interest payments of $576 million the first year after the buyout.

To ease those debt pressures, Safeway quickly began selling off store divisions around the U.S., Canada and in Europe. It left key markets such as Dallas, Kansas City, Salt Lake City and Southern California and raised enough in store sales to trim its debt by $2.5 billion. In the process, interest payments declined to $401.2 million in 1988 and $382.8 million last year, and Safeway's operating network declined to 1,117 higher-volume stores in the U.S. and Canada.

Nevertheless, Safeway is still saddled with $3.1 billion in debt.

The supermarket giant plans to spend roughly $3.2 billion for new and remodeled stores, lease obligations and other capital improvements over the next five years. KKR expected to generate $104.4 million by offering 10 percent of the company.

Safeway plans to use those funds to open approximately 70 new stores and complete major remodeling projects in another 240 units over the next two years.

Pharmacy growth

Pharmacies are now found in 31 percent of Safeway's stores, compared with 13 percent five years ago. In Safeway's newer superstores, the percentage of Rx counters is even higher, at 56 percent.

Thanks in large part to store improvement programs, Safeway's operating profits rose to $462 million in fiscal 1989 from $326 million the previous year. Same-store sales were up a healthy 5.5 percent.

McKesson takes $20M charge

Continued from page 1

unsecured creditor in those situations is not consistent with prudent business practices."

While stressing that most of its customers remained "highly credit worthy," they said McKesson was stepping up its credit surveillance, tightening operating procedures and figuring ways to change terms and conditions of sales to some highly leveraged customers.

Industry sources said such changes might include requiring electronic fund transfers, receiving the same financial statements provided to lenders and tightening terms of receivables outstanding.

McKesson's position was puzzling to some other wholesalers contacted by *Drug Store News*. "This doesn't square with the industry at all," said one wholesale executive, whose view was echoed by others. He cited strong earnings recently reported by Bindley Western, Durr-Fillauer and Bergen Brunswig.

"I wouldn't want vendors to think the whole industry has problems," said another wholesaler. "We all have trouble with specific accounts and take small charges. We already have rather tight credit policies."

Don Steinbacher, vp-administration and treasurer of Alco Health Services, said, "Regardless of the degree of leverage, we're careful with all our customers and assess their ability to pay."

"McKesson in the past has used credit more aggressively than some other wholesalers, using liberal terms as a marketing tool," said David Keuler, analyst with Blunt Ellis & Loewi. "Its biggest problem is in its warehouse-to-warehouse business."

McKesson Corp. reported revenues for the fourth quarter ended March 31 rose 11 percent, to $2.1 billion, while net income dropped 28 percent, to $18.3 million. Year-end revenues rose 11 percent, to $7.8 billion; net income dropped 2 percent, to $98.7 million. — *Susan Ball*

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Vol. 12, No. 9 May 14, 1990

MARKET DIARY:

Largest Dollar Gainer	Medicine Shoppe	$ 2.63	Advances	8
Largest Dollar Loser	Great Atl. & Pacific Tea	$ – 4.88	Declines	44
Largest Percentage Gainer	Bindley Western Ind.	25.00%	Unchanged	3
Largest Percentage Loser	Columbia Labs	– 20.00%	New highs	6
			New lows	5

	Close 4/11/90	Close 5/1/90	Net Change	Percent Change
Drug Store News Index	2857.01	2792.98	– 64.03	– 2.24
Dow Jones Industrial Average	2729.73	2668.92	– 60.81	– 2.23
Standard & Poor's 500-Stock Index	341.92	332.25	– 9.67	– 2.83
N.Y.S.E. Composite	187.57	182.22	– 5.35	– 2.85
Value Line Index	241.62	232.89	– 8.73	– 3.61

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 4/11/90	Closing Price 5/1/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	18.75	18.00	– 0.75	– 4.00	16	0.16	0.89	24.75	14.75
OTC	Big B (L)	BIGB	10.88	10.75	– 0.13	– 1.15	22	0.16	1.49	15.25	10.50
OTC	Drug Emporium (L)	DEMP	7.25	6.88	– 0.38	– 5.17	10	0.20	2.91	16.38	6.25
NYS	Fay's Inc.	FAY	8.75	8.00	– 0.75	– 8.57	12	0.20	2.50	15.00	7.75
ASE	Genovese Drug	GDX.A	8.50	8.25	– 0.25	– 2.94	20	0.24	2.91	12.88	7.50
OTC	Leroy Pharmacies	LERY	5.00	4.88	– 0.13	– 2.50	– 81	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	39.75	37.38	– 2.38	– 5.97	12	0.96	2.57	48.50	35.50
OTC	Medicine Shoppe (H)	MSII	23.13	25.75	2.63	11.35	27	0.16	0.62	26.38	17.50
NYS	Perry Drug (L)	PDS	7.88	7.75	– 0.13	– 1.59	13	0.00	0.00	12.88	7.00
NYS	Rite Aid Corp.	RAD	33.75	32.88	– 0.88	– 2.59	16	0.88	2.68	41.13	29.50
NYS	Walgreen Co.	WAG	43.13	42.63	– 0.50	– 1.16	16	0.80	1.88	50.25	37.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	25.50	25.00	– 0.50	– 1.96	14	0.40	1.60	27.25	20.50
OTC	Bindley Western Ind. (H)	BIND	9.50	11.88	2.38	25.00	19	0.00	0.00	11.88	7.88
OTC	Cardinal Distribution	CDIC	23.50	22.00	– 1.50	– 6.38	17	0.08	0.36	25.00	16.00
OTC	Durr-Fillauer	DUFM	24.25	22.38	– 1.88	– 7.73	15	0.28	1.25	25.88	18.50
ASE	Ketchum	KCH	2.13	2.13	0.00	0.00	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	36.88	32.63	– 4.25	– 11.53	15	1.44	4.41	39.75	31.75
ASE	Moore Medical	MMD	7.25	6.00	– 1.25	– 17.24	– 7	0.00	0.00	15.13	6.00
NYS	Owens & Minor	OMI	11.50	11.88	0.38	3.26	32	0.24	2.02	13.25	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	69.25	67.63	– 1.63	– 2.35	17	1.68	2.48	70.38	54.75
NYS	American Home Products (s)	AHP	51.75	48.88	– 2.88	– 5.56	7	4.28	8.76	110.25	48.88
NYS	Baxter International	BAX	22.63	20.88	– 1.75	– 7.73	– 49	0.64	3.07	26.25	19.25
OTC	Block Drugs Co.	BLOCA	35.00	34.75	– 0.25	– 0.71	13	0.68	1.96	38.00	32.38
ASE	Bolar Pharmaceutical	BLR	9.13	8.63	– 0.50	– 5.48	11	0.16	1.86	32.25	3.50
NYS	Bristol-Myers Squibb	BMY	54.88	56.25	1.38	2.51	37	2.12	3.77	58.25	46.38
NYS	Carter-Wallace	CAR	52.00	50.88	– 1.13	– 2.16	16	0.80	1.57	60.50	41.63
ASE	Columbia Labs	COB	13.75	11.00	– 2.75	– 20.00	– 20	0.00	0.00	19.63	5.13
ASE	Forest Labs	FRX	38.50	37.50	– 1.00	– 2.60	27	0.00	0.00	44.50	29.25
NYS	ICN Pharmaceutical (L)	ICN	3.38	3.25	– 0.13	– 3.70	0	0.00	0.00	6.88	3.25
ASE	Lee Pharmaceutical (L)	LPH	1.75	1.63	– 0.13	– 7.14	– 8	0.00	0.00	4.75	1.50
ASE	Leiner P. Nutrition	PLI	10.38	9.75	– 0.63	– 6.02	15	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	67.63	66.88	– 0.75	– 1.11	20	1.64	2.45	69.25	52.38
NYS	Marion Labs	MKC	24.63	25.00	0.38	1.52	86	0.60	2.40	36.63	21.00
NYS	Merck Co.	MRK	73.88	73.25	– 0.63	– 0.85	19	1.80	2.46	80.75	66.00
NYS	Mylan Labs	MYL	23.25	21.50	– 1.75	– 7.53	30	0.20	0.93	25.38	8.13
NYS	Par Pharmaceutical	PRX	6.00	6.38	0.38	6.25	319	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	58.00	56.75	– 1.25	– 2.16	14	2.40	4.23	75.75	54.50
NYS	Rorer Group (H)	ROR	68.88	69.75	0.88	1.27	33	0.84	1.20	69.75	36.13
NYS	Schering Plough	SGP	83.00	82.63	– 0.38	– 0.45	19	2.24	2.71	87.50	63.38
NYS	Syntex Corp.	SYN	52.13	50.25	– 1.88	– 3.60	19	1.60	3.18	54.50	40.00
OTC	Taro-Vit Industries	TAROF	0.88	0.88	0.00	0.00	– 29	0.00	0.00	1.88	0.88
NYS	Upjohn Co.	UPJ	37.88	36.38	– 1.50	– 3.96	21	1.00	2.75	42.13	28.88
NYS	Warner-Lambert	WLA	108.75	105.38	– 3.38	– 3.10	16	3.04	2.88	118.75	86.50
OTC	Zenith Labs	ZENL	5.25	5.25	0.00	0.00	– 2	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's (H)	ABS	59.13	57.88	– 1.25	– 2.11	20	0.96	1.66	60.38	43.13
NYS	American Stores	ASC	65.88	62.63	– 3.25	– 4.93	18	1.12	1.79	72.50	51.38
NYS	Giant Food	GFS.A	28.13	27.00	– 1.13	– 4.00	15	0.60	2.22	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	57.63	52.75	– 4.88	– 8.46	0	0.00	0.00	65.38	48.25
NYS	K mart	KM	34.25	32.63	– 1.63	– 4.74	20	1.72	5.27	44.88	32.13
NYS	Kroger	KR	12.50	11.88	– 0.63	– 5.00	– 132	0.00	0.00	19.75	10.88
NYS	Melville Corp.	MES	49.13	46.50	– 2.63	– 5.34	13	1.40	3.01	53.63	40.25
OTC	Fred Meyer	MEYR	14.63	13.50	– 1.13	– 7.69	– 48	0.00	0.00	23.00	13.00
NYS	Penney, JC	JCP	68.25	63.63	– 4.63	– 6.78	10	2.64	4.15	75.63	54.88
NYS	Smith's Food & Drug (H)	SFD	28.63	28.00	– 0.63	– 2.18	23	0.28	1.00	29.00	20.50
NYS	Wal-Mart (H)	WMT	50.00	50.25	0.25	0.50	26	0.28	0.56	51.88	34.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split. Note: American Home Products completed a 2-for-1 stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS®

Vol. 12/No. 10 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 28, 1990

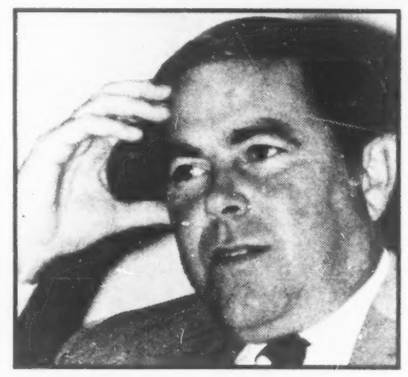
SupeRx AZ files Chapter 11

By James Frederick

PHOENIX, Ariz. — Burdened by debt and facing a cutoff in credit from its major lenders, SupeRx of Arizona, Georgia, and Alabama Corp., and its Medicare-Glaser Corp. subsidiary have filed for reorganization under Chapter 11 protection in U.S. Bankruptcy Court here.

The May 11 filing followed weeks of desperate maneuvering by SupeRx chairman and ceo Gerald Wolken and other top officers to negotiate a new financial package with lenders and potential investors. "We have been negotiating with our senior lenders for quite some time, and had hoped to be able to accomplish a restructuring of our finances outside the courts," said Wolken. "When negotiations among the lenders recently broke down, we had to seek protection under the reorganization laws."

Above: Unprofitable stores will be closed as quickly as possible, as part of a moderate downsizing. Right: SupeRx chairman Gerald Wolken worked feverishly to restructure finances before filing for Chapter 11.



Added senior vp-administration Jim Jumpeter, "We were highly leveraged, and part of our plan a year ago was to bring more equity into the company. We'd hoped to be able to refinance and have an equity partner in place before this happened, but we have not been able to renegotiate an acceptable financial package."

SupeRx reported assets of $23.0 million and liabilities of $29.9 million in its U.S. Bankruptcy Court filing here. Medicare-Glaser had assets of $38.6 million and liabilities of $41.8 million, the filing also disclosed.

SupeRx had posted a net loss of $4.9 million, and Medicare-Glaser a net loss of $1.2 million for the period of Dec. 10, 1989 through March 31, 1990.

All stores remained open following the filing, including the 36 Arizona stores under the SupeRx, Defender Drug, Drug World, and United Health Care logos; and the 94 Medicare-Glaser stores based in St. Louis. Last year, the company sold its stores in Georgia

See **SupeRx** *page 29*

LATE NEWS

•CINCINNATI — Kroger Co. will open roughly 26 new stores in 1990, the great majority of them combo stores. At its annual meeting here May 17, the company also announced that it will remodel more than 100 stores.

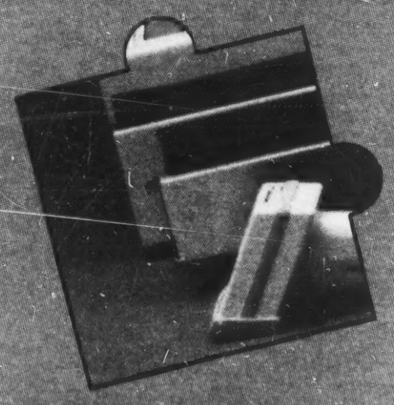
•SALT LAKE CITY — American Stores said it will sell within five years 152 of its 175 Alpha Beta stores in Southern California, as part of the terms of a consent decree with the state Attorney General that will settle anti-trust action in connection with the Lucky Stores purchase.

•LIVERPOOL, N.Y. — Sales at Fay's rose 16.8 percent to $153 million in the first quarter ended April 28, as earnings, before a $574,000 extraordinary charge, climbed to $1.48 million, the company reported.

TOP OF WEEK FEATURES

Bright spots in the ethnic market

Bright spots like relaxers, hair color and skin care are enhancing the overall sales of ethnic products over last year in chain drug stores. **Beauty Trends, page 9.**



EDI applications are expanding

Drug chains are now testing options for partnerships with front-of-store merchandise vendors, carriers and banks. **Trends, page 27**

Two creditors limit impact

PHOENIX — For two of SupeRx Corp.'s largest unsecured creditors, wholesalers McKesson and Bindley Western, preparedness will keep the bankruptcy filing from causing major disruptions to their business.

McKesson Corp., citing concern over the weakened financial condition of some of its highly leveraged customers, took a $20 million charge (of which McKesson Drug accounted for about 80 percent) against its recently reported fourth-quarter earnings, and Bindley Western said it sets aside reserves for such eventualities.

McKesson, SupeRx Corp.'s primary wholesal-

See **Creditors** *page 29*

Hook president dies

Cunningham

INDIANAPOLIS — One month after being named Hook Drug's president, Thomas Cunningham, 51, died April 23 following a brief illness.

The 30-year Hook veteran who had succeeded Newell Hall upon Hall's retirement died of surgery-related complications, according to a source.

Cunningham had brought broad retailing experience to the top post, having served most recently as Hook's vp operations. When named president, he told an interviewer that his vision of the job involved getting back to merchandising basics, and developing people to their maximum potential.

"Chain drug store operators are going to have to be

See **Hook's** *page 29*

Harco buys 19 Eckerds; gains top Mobile spot

By Susan Ball

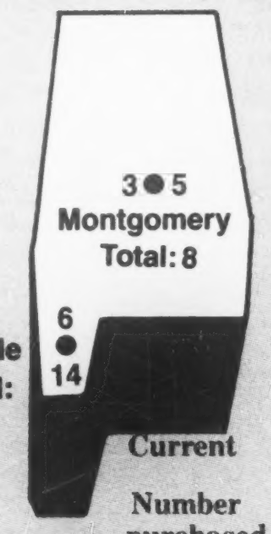
NORTHPORT, Ala. — Harco Drug has bought Eckerd Drug Stores' 19 stores in the Mobile and Montgomery markets for an undisclosed price, giving Harco a dominant position in Mobile while trimming Eckerd's Alabama presence to its strong base in the Birmingham market.

The 14 Eckerd stores acquired in Mobile bring Harco's store count there to 20, for a commanding share of that market, where competitors include Big B, K&B and Revco, as well as Wal-Mart, Phar-Mor and Drug Emporium. Revco's Alabama stores are up for sale, but Harco president Jim Harrison Jr. said with the Eckerd buy, "we've got about as much as we can say grace over."

Harrison told *Drug Store News* the acquired Mobile

See **Harco** *page 29*

Harco expands presence in Mobile & Montgomery, Ala.



Footnote: Harco will now operate 103 drug stores in Alabama and 110 stores chainwide. Eckerd keeps its 21 drug stores in the Birmingham market.

Sources: Harco, Eckerd

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